

## § 202.551

(d) *Reduced royalty rate.* The Indian lessor and the Secretary may approve a request for a royalty rate reduction. In your request you must demonstrate economic hardship.

(e) *Reporting and paying.* You must report and pay royalties as provided in part 218 of this title.

### **§ 202.551 How do I determine the volume of production for which I must pay royalty if my lease is not in an approved Federal unit or communitization agreement (AFA)?**

(a) You are liable for royalty on your entitled share of gas production from your Indian lease, except as provided in §§ 202.555, 202.556, and 202.557.

(b) You and all other persons paying royalties on the lease must report and pay royalties based on your takes. If another person takes some of your entitled share but does not pay the royalties owed, you are liable for those royalties.

(c) You and all other persons paying royalties on the lease may ask MMS for permission to report and pay royalties based on your entitlements. In that event, MMS will provide valuation instructions consistent with this part and part 206 of this title.

### **§ 202.552 How do I determine how much royalty I must pay if my lease is in an approved Federal unit or communitization agreement (AFA)?**

You must pay royalties each month on production allocated to your lease under the terms of an AFA. To determine the volume and the value of your production, you must follow these three steps:

(a) You must determine the volume of your entitled share of production allocated to your lease under the terms of an AFA. This may include production from more than one AFA.

(b) You must value the production you take using 30 CFR part 206. If you take more than your entitled share of production, see § 202.553 for information on how to value this production. If you take less than your entitled share of production, see § 202.554 for information on how to value production you are entitled to but do not take.

## 30 CFR Ch. II (7–1–03 Edition)

### **§ 202.553 How do I value my production if I take more than my entitled share?**

If you take more than your entitled share of production from a lease in an AFA for any month, you must determine the weighted-average value of all of the production that you take using the procedures in 30 CFR part 206, and use that value for your entitled share of production.

### **§ 202.554 How do I value my production that I do not take if I take less than my entitled share?**

If you take none or only part of your entitled production from a lease in an AFA for any month, use this section to value the production that you are entitled to but do not take.

(a) If you take a significant volume of production from your lease during the month, you must determine the weighted average value of the production that you take using 30 CFR part 206, and use that value for the production that you do not take.

(b) If you do not take a significant volume of production from your lease during the month, you must use paragraph (c) or (d) of this section, whichever applies.

(c) In a month where you do not take production or take an insignificant volume, and if you would have used § 206.172(b) to value the production if you had taken it, you must determine the value of production not taken for that month under § 206.172(b) as if you had taken it.

(d) If you take none of your entitled share of production from a lease in an AFA, and if that production cannot be valued under § 206.172(b), then you must determine the value of the production that you do not take using the first of the following methods that applies:

(1) The weighted average of the value of your production (under 30 CFR part 206) in that month from other leases in the same AFA.

(2) The weighted average of the value of your production (under 30 CFR part 206) in that month from other leases in the same field or area.

(3) The weighted average of the value of your production (under 30 CFR part 206) during the previous month for production from leases in the same AFA.

(4) The weighted average of the value of your production (under 30 CFR part 206) during the previous month for production from other leases in the same field or area.

(5) The latest major portion value that you received from MMS calculated under 30 CFR 206.174 for the same MMS-designated area.

(e) You may take less than your entitled share of AFA production for any month, but pay royalties on the full volume of your entitled share under this section. If you do, you will owe no additional royalty for that lease for that month when you later take more than your entitled share to balance your account. The provisions of this paragraph (e) also apply when the other AFA participants pay you money to balance your account.

**§ 202.555 What portion of the gas that I produce is subject to royalty?**

(a) All gas produced from or allocated to your Indian lease is subject to royalty except the following:

- (1) Gas that is unavoidably lost.
- (2) Gas that is used on, or for the benefit of, the lease.
- (3) Gas that is used off-lease for the benefit of the lease when the Bureau of Land Management (BLM) approves such off-lease use.
- (4) Gas used as plant fuel as provided in 30 CFR 206.179(e).

(b) You may use royalty-free only that proportionate share of each lease's production (actual or allocated) necessary to operate the production facility when you use gas for one of the following purposes:

- (1) On, or for the benefit of, the lease at a production facility handling production from more than one lease with BLM's approval.
- (2) At a production facility handling unitized or communitized production.
- (c) If the terms of your lease are inconsistent with this subpart, your lease terms will govern to the extent of that inconsistency.

**§ 202.556 How do I determine the value of avoidably lost, wasted, or drained gas?**

If BLM determines that a volume of gas was avoidably lost or wasted, or a volume of gas was drained from your

Indian lease for which compensatory royalty is due, then you must determine the value of that volume of gas under 30 CFR part 206.

**§ 202.557 Must I pay royalty on insurance compensation for unavoidably lost gas?**

If you receive insurance compensation for unavoidably lost gas, you must pay royalties on the amount of that compensation. This paragraph does not apply to compensation through self-insurance.

**§ 202.558 What standards do I use to report and pay royalties on gas?**

(a) You must report gas volumes as follows:

(1) Report gas volumes and Btu heating values, if applicable, under the same degree of water saturation. Report gas volumes and Btu heating value at a standard pressure base of 14.73 psia and a standard temperature of 60 degrees Fahrenheit. Report gas volumes in units of 1,000 cubic feet (Mcf).

(2) You must use the frequency and method of Btu measurement stated in your contract to determine Btu heating values for reporting purposes. However, you must measure the Btu value at least semi-annually by recognized standard industry testing methods even if your contract provides for less frequent measurement.

(b) You must report residue gas and gas plant product volumes as follows:

(1) Report carbon dioxide (CO<sub>2</sub>), nitrogen (N<sub>2</sub>), helium (He), residue gas, and any gas marketed as a separate product by using the same standards specified in paragraph (a) of this section.

(2) Report natural gas liquid (NGL) volumes in standard U.S. gallons (231 cubic inches) at 60 degrees F.

(3) Report sulfur (S) volumes in long tons (2,240 pounds).

**PART 203—RELIEF OR REDUCTION IN ROYALTY RATES**

**Subpart A—General Provisions**

Sec.

203.0 What definitions apply to this part?

203.1 What is MMS's authority to grant royalty relief?